TECHNOLOGY NEWS

Technology Execs Close Pay Gap at Banks

Journal Puts Top At Half Million

By KAREN GULLO

NEW YORK — An elite handful of bank technology executives are raking in annual compensation packages of almost half a million dollars, giving them parity with many chief operating officers and financial officers, according to a report in a computer trade journal.

The bank technology executives are among the highest-paid computer managers in all of U.S. business, the survey by *Computerworld* showed. Only technology chiefs at Wall Street investment banks earn more than their counterparts at such banking companies as Security Pacific Corp. and Citicorp.

The salaries of the bank-technology elite are well above the $185,000 that an average top computer manager earns annually at a commercial bank. That average was reported in a survey of U.S. companies last fall by the Chicago-based executive recruiting firm Heidrick & Struggles Inc.

Wall Street Technologists Outearn...

Company	Chief information officer	Compensation in 1988*
Merrill Lynch	DuWayne Peterson	$1,000,000
Salomon Brothers	Francis Dramis	800,000
Morgan Stanley	Robert Gartland	750,000
Drexel Burnham	Joseph Castellano	750,000
Goldman Sachs	George F. 'Rick' Adam	750,000
CS First Boston	Eugene Bedell	750,000

Their Counterparts at Commercial Banks

Security Pacific	John Singleton	500,000
Citicorp	Paul Glaser	450,000
BankAmerica	Michael Simmons	400,000
Chase Manhattan	Elaine Bond	350,000

*Middle of estimated salary range

Source: Computerworld

Coast Bank Has Top Earner

John Singleton, vice chairman of Security Pacific, leads the pack of top earners in the banking industry with a compensation package worth $450,000 to $550,000, according to *Computerworld*. Mr. Singleton, who is widely admired outside Security Pacific for helping to enhance the prestige of bank operations managers, was given the added title of chief operating officer this week.

The highest-paid information systems executive in the United States is DuWayne Peterson, chief information officer of Merrill Lynch & Co., with 1988 compensation of $1 million. Before joining Merrill Lynch, Mr. Peterson founded Security Pacific Automation Co. and was succeeded by Mr. Singleton, who is still chairman of that Security Pacific Corp. subsidiary.

Computerworld obtained the data for Mr. Singleton and Mr. Peterson from proxy statements. The remaining income figures resulted from research.

Wall Street's Elite

Other highly paid technologists on Wall Street work for Salomon Brothers Inc., Morgan Stanley Group Inc. and Drexel Burnham Lambert Inc. The report said these executives made between $700,000 and $800,000 last year.

The second best-paid bank technology executive was Paul Glaser, chairman of the Citicorp Technology Office Inc., which coordinates technology efforts throughout the New York-based holding company. *Computerworld* estimated his earnings at $400,000 to $500,000.

Michael Simmons, executive vice president of systems engineering and data processing at BankAmerica Corp., San Francisco, is the third highest-paid banking technology chief, with 1988 compensation estimated at $350,000 to $450,000.

Mr. Simmons acknowledged that his compensation was within that range. He said that salaries for technology chiefs are only now catching up to those of line-business executives at large banks. "Senior technology executives have been underpaid because technology wasn't recognized as strategic," Mr. Simmons said.

That has changed. Information systems that drive banking functions such as check collection and transaction processing are viewed by top management as crucial to the business, and salaries reflect that status.

Also reported among the highest-paid information systems managers is Elaine Bond, senior vice president at the Chase Manhattan Bank. She would not confirm or deny the $300,000 to $400,000 salary range attributed to her in the report. But she noted, "People get paid what the market will bear."

Executive recruiters say it is debatable whether these technology chiefs are worth their salaries. Some believe the compensation packages in investment banking, which can include bonuses of 200% to 300% of a yearly salary, "verge on insanity," especially considering that some highly paid technology chiefs change jobs every few years. □

Boston's State Street Sells Account Processing Unit

By RICHARD LAYNE

NEW YORK — State Street Bank & Trust Co., which analysts have called a leading technology bank, has decided to exit one aspect of the transaction processing business.

State Street has sold its account processing business for 40 New England banks and thrifts to BISYS Inc., a Houston-based supplier of data processing to 300 financial institutions.

Boston-based State Street, which earns most of its income from data processing services, will continue to offer transaction services that it deems central to its business. The bank is by far the leading global-custody and mutual-fund processor.

Bank Departure Trend

In abandoning basic financial-institution processing, State Street is following the lead of other banks that have preferred to leave the business in the hands of nonbank competitors and a few remaining banking companies, such as Citicorp-;Mellon Bank Corp., Pittsburgh; and Marshall & Ilsley Corp., Milwaukee.

"We think this is a good deal for us," said Lynn Mangum, chairman and chief executive of BISYS, a privately held company that serves banks and mortgage companies in 30 states.

"We want to increase our presence in New England, and this gives us a grubstake," said Mr. Mangum. He refused to specify the price paid State Street.

'Out of Gas'

State Street executives could not be reached for comment on why they sold the business or whether it was profitable. Mr. Mangum said that the Boston bank's data processing service had "run out of gas."

The Boston bank was unwilling to make the investment in information technology needed to meet clients' escalating demands for more sophisticated information processing services, Mr. Mangum said. State Street processed demand-deposit and time-deposit accounts and commercial and installment loans.

The small data processing operation was unrelated to State Street's main – and profitable – lines of business.

Requirement to Focus

"This is an issue of focus – and focus is necessary to be a successful third-party processor," said Diogo B. Teixeira, a consultant with McKinsey & Co., New York.

"The banks that are successful in this are those that can continue to justify the level of investment needed every year to keep up the product offerings," said Mr. Mangum.

Industry observers said that big companies with deep pockets and many customers dominate this business. The major nonbank players include Electronic Data Systems, owned by General Motors; First Financial Management Corp., Atlanta; and FiServ, Milwaukee.

No Intrinsic Disadvantage

The presence of Mellon and Citicorp among the major players indicates that banks are not intrinsically at a competitive disadvantage. This has been more true in credit-card processing, which is highly concentrated among a handful of banks and outside processors.

In a prepared statement, George J. Fesus, executive vice president of State Street, said, "We have studied the service options for our clients, and we believe BISYS' national service is the best solution available."

BISYS customers range in asset size from $50 million to $2 billion. □

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COMMENT/ *By Stephen Axilrod*

Fed Confounds the Markets

The markets have become greatly perplexed by the Federal Reserve, the trend of interest rates, and the economy. The changing attitudes and gathering doubts of market participants about the posture of the Fed –and also about prospective inflationary and business conditions –have shaped and reshaped the yield curve.

The Fed's basic objectives should be no great mystery; its intentions have been clear for some time. It would first like the economy to slow to the point where there is at least no further threat that the rate of inflation will get worse. Eventually, it would like to attain price stability, which in practice means overall price increases of zero to 2%.

In the course of this year, some increase in the unemployment rate would probably be tolerated – a so-called growth recession –because that is needed to contain the creeping inflation of the past few years. But the Fed would like to avoid a decline in output that could reduce the rate of inflation quickly and substantially. It wants inflation to decline, but slowly and in an orderly way.

Goals Are No Mystery

The mystery then is not so much about the Fed's objectives as it is about the Fed's perception of the economy's performance.

The Fed must be no less puzzled than the rest of us. It is not privy to information about industries or consumer attitudes that is any more reliable than reports in the financial and business press.

If one looks behind the current flow of data on spending and prices, it is hard to see clear sources of economic strength. Fiscal policy in the United States is scheduled to be more restrictive in the current than in the past fiscal year.

No Weak-Dollar Effect

The last time there was a substantially contractive fiscal policy, in 1987, it was offset by the stimulative effects of a sharp drop in the dollar. But that offsetting stimulus is not available now, at least not to the same extent. Moreover, other major countries are in the process of tightening monetary policies, which will slow demand for U.S. exports.

These fundamental shifts in other policy conditions should predispose the Fed to lean toward easing credit. Indeed, it has been doing so since early last summer.

But the speed and extent of easing is uncertain, and the timing has been less than predictable. That is because easing has taken place even while the threat of inflation has by no means abated.

This means the Fed is forced to make delicate judgments

about market psychology. It keeps its policy adjustments to cautious steps that depend on those judgments and on interpretation of the latest, often unpredictable and eminently revisable, economic data.

For many months, the credit markets were anticipating further easing by the Fed. The result was a yield curve that featured an overnight money market rate – essentially representing the cost of carrying securities – that was high relative to the rest of the market.

As a result, dealers and other short-term holders were losing money on their inventories because the cost of carrying the securities was greater than their yield. They were betting heavily on further price increases on the securities to bail them out.

Excessive Cost of Carry

This was a pretty safe bet for a while. But at some point the cost of carry becomes such a heavy burden that market patience wears thin. That point is reached when longer-term interest rates become so low relative to the cost of carry that further rate declines cannot be fueled by speculative demand; the risk to dealers' capital positions is finally too great.

If ultimate investors also stop being eager buyers at the same time – as they recently have in part because rates have risen in major markets abroad – the conditions are ripe for a substantial reshaping of the yield curve.

The reshaping is needed to reduce the negative cost of carrying securities and make it minimal or positive. If the Fed does not encourage that by lowering overnight money rates through monetary easing, the market will do it by causing longer-term interest rates to rise.

Recent Easing Not Enough

The Fed did ease a little further several weeks ago, but by no means enough to significantly reduce the cost of carrying debt obligations. So the market has recently made the necessary correction. Yields on U.S. Treasury notes and bonds have now backed up considerably to more viable levels under current circumstances – above 8% throughout the curve at this writing, with the long end about 8¼%.

The next substantial, sustained rally in the bond market will probably require a marked further easing by the Fed, or prospects of one – not just prospects of another cautious monetary move. Basically, that will depend on weakness in consumer spending. Absent that, and given concerns about inflation, the other forces tending to slow the economy may not carry a sufficient threat of recession to make the Fed feel it should risk abandoning its cautious approach. □

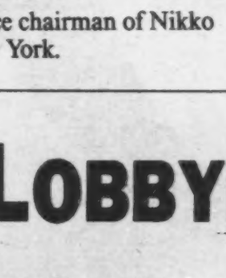
Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS/ *By Barbara A. Rehm*

Banks, SIA Ready To Seek an Accord On Glass-Steagall

Little has been heard of the **Securities Industry Association's** plan to bring down the Glass-Steagall barriers since the trade group unveiled its idea Dec. 1 during its annual meeting.

But the first face-to-face parley between SIA and banking trade groups may be just weeks away, sources say, and both industries may be looking for common ground.



Spencer Eccles

Top officers and staffers of the **Association of Bank Holding Companies** – led by ABHC chairman **Spencer Eccles** of **First Security** Corp. in Salt Lake City, chairman-elect **Eugene Miller** of **Comerica** Inc. in Detroit, and treasurer **Richard Simmons** of **Chemical Banking** Corp., New York – are expected in the next few weeks to begin a series of meetings with the SIA's chairman, **Robert N. Downey,** and possibly other Wall Streeters. A separate meeting between the SIA and the **Independent Bankers Association of America** is trying to be scheduled for the same day. So far, the **American Bankers Association** says it has not been in touch with the SIA.

"The SIA does want to talk to us, and just the fact that it is interested is positive," said **John Rippey,** a senior vice president for ABHC. — **Robert Trigaux**

* * *

Is the ABA Floating New Plan for Poor?

On many of the issues that affect the industry most, the American Bankers Association looks to the Republican minority on the House Banking Committee as a solid foundation of support.

But a crack developed in that foundation last month, as reports circulated among the panel's Republican staff that ABA lobbyist **Floyd Stoner** was attempting to work out a compromise on measures proposed by **Sen. Howard Metzenbaum,** D-Ohio, to provide new services to the poor.

For the record, Mr. Stoner denies vehemently that he ever suggested the possibility of compromise with Mr. Metzenbaum on his proposal to require banks to cash government checks and offer accounts for the poor.

"I have certainly not floated a compromise," said Mr. Stoner. "I have no idea where it came up."

But the Republican staff, whose support is crucial to the banking industry, believes otherwise. A number of senior Republican aides, in interviews with the *American Banker*, said Mr. Stoner did, indeed, float the idea of compromise.

Floyd Stoner

"We're not sure [Mr. Stoner's] thoughts on the issue are the same as where his members are," said one Republican aide. "We hear from banks back home, and from state (banking) associations. And all we hear is, no compromise, no compromise."

The GOP staffers believe they are in a good position to defeat Mr. Metzenbaum's proposal this year and they are furious at what they believe was an attempt by Mr. Stoner to undermine them.

— **Robert M. Garsson**

* * *

Delaware Vote Set On Sale of Insurance

Next Tuesday is judgment day for bank and insurance lobbyists in Dover, Del.

On Jan. 23 the Delaware state senate is scheduled to vote on legislation that, if enacted, would allow state-chartered banks to underwrite and sell insurance.

Francis X. Morris, executive vice president of the **Delaware Bankers Association,** says the latest round of lobbying on the bill began June 30 – the day the state legislature adjourned last year. The bill passed the GOP-controlled House of Representatives last year, but not the Senate. Bankers need 14 of 21 votes in the Senate – a long shot since Democrats control 13 votes and one of the chamber's eight Republicans is an insurance agent.

"We're trying to concentrate on those people who might be leaning on the 'no' side," says Mr. Morris. "It's going to be a very close – very close – vote."

Banking lobbyists are making their case by saying that opening the insurance door to banks would create jobs in Delaware. "We feel that one of the compelling reasons for passing it is for ecomonic development," Mr. Morris says, noting that two recent bank mergers in the state had eliminated about 300 jobs with credit card banks.

Leaders of the **Coalition of Delaware Insurance Agents,** the banks' lobbying opposition, who held a reception for the entire Delaware Assembly Tuesday night, could not be reached for comment. But **Leonard Brevik,** director of state government affairs at the **Independent Insurance Agents of America,** the national trade association for agents, insisted the legislation would force independent insurance agents out of business. □

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What's the Word At Citicorp? It's 'Consumer'

By JED HOROWITZ

NEW YORK — Other than the Federal Reserve Board, no other American financial institution has more people on the outside watching its every move than Citicorp. This week Citicorp watchers had a field day looking through the banking giant's news and earnings reports for clues about future direction and current ailments.

The biggest message they deciphered is that, more than ever, the nation's largest banking company is betting on consumer banking to drive its earnings through the next decade.

ANALYSIS *Follow-up on the news*

The bank elevated consumer chief Richard S. Braddock to the long-vacant post of president of the holding company and Citibank. (For a profile of Mr. Braddock, see page 10.)

Underscoring the development, Citicorp said it earned $842 million from retail banking activities in 1989, up 35% from the level in 1988. The retail earnings, for the first time in recent memory, outpaced combined income from commercial and investment banking activities in the developed world, according to Lawrence W. Cohn, an analyst at Drexel Burnham Lambert Inc.

Less Scope for Small

Hidden in the announcement about Mr. Braddock, however, were darker signs that corporate banking head Lawrence M. Small had lost much of his power. Though Mr. Small was named vice chairman and chairman of Citicorp's executive committee, a bank spokesman said he would no longer have line responsibility for either institutional or investment banking. The spokesman was unable to say just what Mr. Small's new duties entail.

Mr. Small, two months older than Mr. Braddock and until Wednesday his corporate equal, has a reputation as a sharp-minded manager with little patience for the niceties of working with subordinates. He works closely with chairman John S. Reed – even coordinating the planning and design of the Japanese-style executive floor that Mr. Reed conceived several years ago. But Mr. Reed's heart has always been with retail, analysts said.

Job Change Possible

In recent years, Mr. Small was rumored to have been offered positions at the top of several large banks. Analysts and former colleagues said it was now

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INSIDE NEWS

CONSUMER

RICHARD S. BRADDOCK, Citicorp's president, learned how to market package goods at General Foods. That skill has proved invaluable at the retail banking giant. *Page 10*

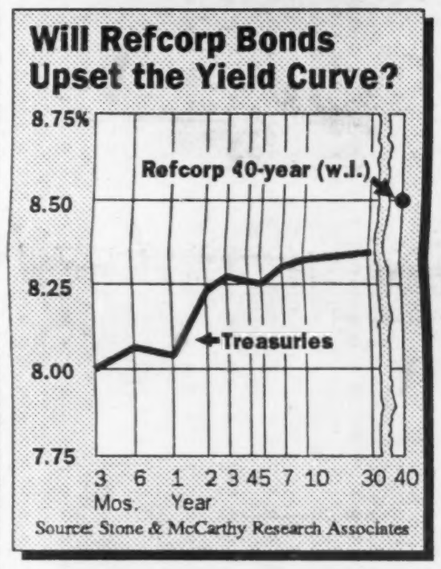
INTERNATIONAL

BANK OF MONTREAL is gearing up to expand in the United States. The strategy includes acquisitions and raising profitability at its Harris Bankcorp unit. *Page 13*

TECHNOLOGY

THE NEW YORK Automated Clearing House has become the first such operation in the Federal Reserve network to be fully electronic. *Page 3*

FINANCE



A RELATIVE of the traditional 30-year Treasury bond, the Resolution Funding Corp.'s 40-year is already having an impact on the pricing of some long-term government bonds. *Page 16*

MORTGAGES

FLEET/NORSTAR and other mortgage banks are making more wholesale purchases to feed their enormous servicing portfolios. *Page 7*

PEOPLE

EDWARD M. CARSON, the next chief executive of First Interstate Bancorp, faces an uphill battle to restore credibility in the institution. *Page 2*

OTHER NEWS

FIRST BANK SYSTEM'S fourth-quarter loss has caused analysts to lose confidence in the company and has harmed the acting CEO's chances of rising to chairman. *Page 2*

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A Retreat from Discount Brokerage

Major banks that have sold or consolidated subsidiaries

Bank	Unit	Buyer	Date	Offices sold/closed	Offices remaining
BankAmerica	Charles Schwab & Co.	Charles Schwab & Co.	3/87	95	0
Fleet/ Norstar	Norstar Brokerage Corp.	(Consolidation)	9/88	12	12
Chase Manhattan	Rose & Co.	Charles Schwab & Co.	3/89	9	0
Marine Midland	Ovest Marine	Quick & Reilly Inc.	3/89	1	0*
Security Pacific	Security Pacific Brokers	Fidelity Investments	1/90	11	7

*Has 5,000 accounts in private banking group

Source: American Banker

Security Pacific to Sell Most Of Discount Broker Offices

By YVETTE D. KANTROW

NEW YORK — Security Pacific Corp., which went to the Supreme Court to win interstate branching rights for bank-owned discount brokers, is selling much of its brokerage network to one of the largest companies in the field.

The Los Angeles-based banking company said this week it has agreed to sell its brokerage accounts outside California and Arizona to Fidelity Investments, Boston, for an undisclosed sum. Security Pacific is the latest of several major banks to retreat from a business that was once viewed as an essential component of retail financial services.

A Security Pacific spokesman said the company intended to focus its discount brokerage effort on its primary banking markets in the West.

The proposed sale, of an unspecified number of accounts at 11 offices in six states, is indicative of the industry's mixed results in supplying brokerage services to retail customers. Bank brokerage units enjoyed a heyday in the early 1980s and fell from grace after the stock market crashed in October 1987.

"It can be a nice business for banks, but it's a tough business," said Greg Feltus, senior vice president of Stephens Inc., a Little Rock, Ark., company that

See **SECURITY** *page* **10**

To Get Cash Could Raise Thrift Rates

By STEVE KLINKERMAN

DALLAS — In a move that could push up interest rates on deposits nationwide, the Resolution Trust Corp. may demand early repayment of the $11.3 billion it lent to the 169 thrifts under its control to help fund the agency's rescue operations.

The contingency plan comes at a time when the RTC is starved for cash and pleading with Congress for up to $100 billion of extra borrowing authority. If it does not get the money, the agency could face considerable pressure to step up recovery of the $11.3 billion.

By asking for quick repayment of its loans, the RTC would be forcing the 169 thrifts to seek additional deposits, often at above-market rates. As a result, healthy banks and thrifts would be forced to match those rates to remain competitive.

Rates Would Be Pressed

"This would force a substantial increase in interest rates that undoubtedly would spread nationwide," said Thomas Long, a lawyer in the Washington office of Jones, Day, Reavis & Pogue.

See **RTC** *page* **6**

Bacot Imposes Conditions on Northeast Deal

By GORDON MATTHEWS

NEW YORK — Bank of New York chairman J. Carter Bacot said Thursday that Northeast Bancorp Inc. would have to agree to some tough conditions if its proposed acquisition by Bank of New York is to proceed.

The $3.5 billion-asset Shelton, Conn., banking company reported sharply lower earnings Wednesday, and Mr. Bacot said it needs to set aside a "considerably higher reserve" than it announced.

Speaking with reporters at a luncheon following a meeting with analysts, Mr. Bacot said he was more wary of Northeast because of his own bank's review of its lending portfolio. The two companies have a deal for Northeast to be acquired if Connecticut law is changed.

Mr. Bacot also told analysts and reporters on Thursday that his bank would likely have to cut 700 people at Northeast to overcome the dilutive effects of the

See **BACOT** *page* **16**

Annunzio Urges 'Death Penalty' For Banks Convicted in Drug Cases

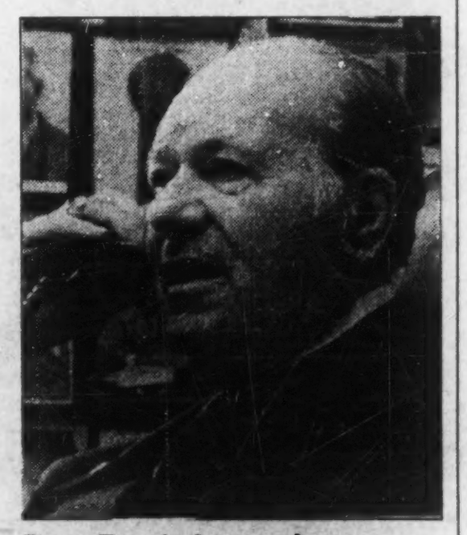
By BILL ATKINSON

WASHINGTON — Angered by the "inadequate" punishment meted out in a plea bargain this week, Rep. Frank Annunzio, D-Ill., is calling for the "death penalty" for banks convicted of money laundering: the loss of charters.

Under a bill to be introduced next week, the regulators of banks, thrifts, and credit unions would be required to revoke the charter of a convicted institution. The penalty would not apply if employees are convicted alone.

According to an aide to Mr. Annunzio, if a charter is revoked, the institution would effectively be closed. The depositors would be paid off, stockholders could lose their investment, and the institution would be dissolved. The timing for that process has not been determined yet, the aide said.

Regulators currently have the power to revoke charters for some offenses, but they are not required to do so, according to Robert B. Serino, deputy chief counsel for the Comptroller of



Rep. Frank Annunzio
Democrat of Illinois

the Currency. Charter revocations are very rare.

The announcement comes just days after two international affiliates of Luxembourg-based Bank of Credit and Commerce International Ltd. pleaded guilty to money-laundering charges and surrendered $14.8 million in alleged drug profits.

It was the "completely inadequate" BCCI fine that prompted the influential Mr. Annunzio to prepare legislation. "Banks that

See **DEATH** *page* **6**

PEOPLE *in the news...*

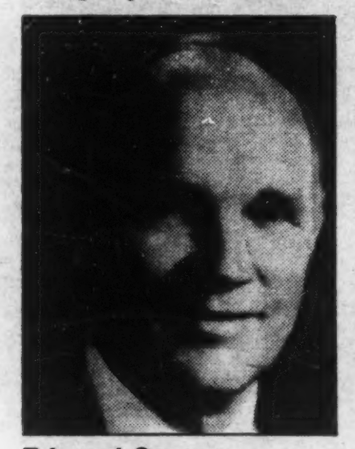
New Chief at 1st Interstate Won't Have a Honeymoon

By SAM ZUCKERMAN

Edward M. Carson, the man who in June will replace Joseph J. Pinola as chairman and chief executive officer of First Interstate Bancorp, will get no honeymoon.

Mr. Carson will find that he inherits a legacy of shattered credibility on the part of investors and analysts who say the company has repeatedly delivered bad earnings news without warning.

"There is tremendous skepticism that the company has stood up and recognized its problems," commented Lawrence W. Cohn of Drexel Burnham Lambert Inc. "It's a reflection of the fact that this company has told us in the past that it has fixed its problems, only to have those problems rear up again."



Edward Carson

There is no doubt that First Interstate's troubles are inseparably linked with Mr. Pinola, a volcanic personality who dominated the company during his 12 years in the top slot and who announced his resignation Tuesday. But Mr. Carson is not likely to benefit from his departure.

"Joe is the lightning rod," Mr. Cohn said. "[But Mr. Carson] is closely identified with Joe and the problems of the past. He's not some outsider." Indeed, Mr. Carson has spent his entire 39-year banking career with First Interstate.

Since January 1985, he has been president and a director of the Los Angeles-based banking company, with responsibility for directing the management of the company's multistate banking system.

Mr. Carson is a long-time retail banking specialist who served as chief operating officer from 1973 to 1977 and chief executive from 1977 to 1985 of what was then First Interstate's highly successful Arizona unit.

He is described as a reliable but conservative choice to guide First Interstate through its immediate financial difficulties. "He ran a very successful bank in Arizona. He knows what it takes to run a retail operation and keep a tight rein on costs," said Ronald I. Mandle, analyst with Sanford C. Bernstein & Co.

A Gentlemanly Banker

Colleagues say Mr. Carson is cut in the mold of a meticulous, gentlemanly bank executive. "Ed is a soft-spoken professional banker who knows the principles of sound banking," says Bruce Willison, chief executive officer of First Interstate Bank of Oregon.

But at 60 years of age, Mr. Carson will probably serve as chief executive officer only a few years himself before retiring. Mentioned prominently as potential successors are William E. B. Siart, 43, just named president of the holding company, and William S. Randall, 49, appointed to head the loss-plagued Arizona subsidiary.

Barring a takeover attempt, the transition from the dynamic Pinola era to what will probably be the more subdued Carson years will be marked by an emphasis on cost-control, consolidation, and repair, analysts say.

... by region

NEW ENGLAND

Waltham Savings Bank, Waltham, Mass., a subsidiary of the Waltham Corp., has appointed **Gene A. Miller** senior vice president.

MIDWEST

Star Banc **Corp.,** Cincinnati, has elected **Jean Patrice Harrington** to its board. Ms. Harrington is executive director of the Cincinnati Youth Collaborative and was president of the College of Mount St. Joseph from 1977 to 1987.

Banc One **Corp.,** Columbus, Ohio, has elected **Paul F. Walsh** a senior vice president withresponsibility for a number of nonbank affiliates.

MIDDLE ATLANTIC

Quest Cash Management Services, New York, a division of Oppenheimer Caital, said **Kimberly Eierman** has joined the division as vice president and regional marketing director.

Her duties will include developing and implementing marketing strategies for Quest's money fund products.

Bankers Trust Co., New York, a subsidiary of Bankers Trust New York Corp., has named **Ann Warburton Ballek** vice president and director of communications for private banking-marketing group.

Ms. Ballek is responsible for advertising, public relations, development of collateral materials, and special events.

SOUTHEAST

Perpetual Savings **Bank,** Vienna, Va., has named **Charles W. Lockyer Jr.** executive vice president. He is in charge of the corporate banking division.

— Franklin Smith

BankAmerica Core Income Climbs 2% in 4th Quarter

NCNB, Bank of NY Post Gains

BankAmerica Corp.'s 2% rise in fourth-quarter profit stood out among other banks reporting results Thursday – the California giant was the only one to reflect an increase in core earnings.

Improved results for the 1989 quarter at Bank of New York Co. and NCNB in Charlotte, N.C., included operations of new subsidiaries: Bank of New York earnings rose 94.6% with the addition of Irving Bank Corp. and NCNB's more than doubled, reflecting strong returns from its Texas subsidiary.

The deteriorating New England real estate market, as expected, sharply reduced earnings for the quarter and the year at Bank of Boston Corp.

Chemical Banking Corp.'s earnings plunged 67% in the fourth quarter, largely as a reflection of nonrecurring gains in the 1988 quarter. Chemical reported a loss for the year.

Chicago-based Continental Bank Corp. turned in the one deficit report for the quarter. It elected to sell its options clearing subsidiary — which had never fully recovered from losses tied to the 1987 crash of the financial markets — and write off some other assets. Earnings fell 53% for the year.

BANKAMERICA CORP.

Capping a spectacular turnaround from near financial ruin four years ago, BankAmerica Corp. earned $270 million in the fourth quarter, pushing full year net income past the billion dollar mark for the first time, to a total of $1.1 billion. The figure was 52% higher than 1988 earnings of $726 million.

The earnings gain was fueled by vibrant core banking operations in California and other Western states. Total loans grew to $75.9 billion, up 9.9% from

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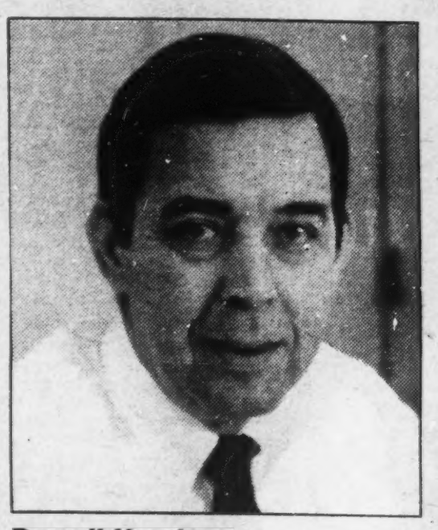
BANKAMERICA CORP.
San Francisco
Dollar amounts in millions (except per share)

Fourth Quarter	4Q '89	4Q '88
Net income	$2.70	2.65
Per share	1.21	1.36
Net interest income (tax. equiv.)	1,015	1,272
Margin	4.48%	4.27%
ROA	1.07%	1.10%
ROE	21.98%	30.60%
Noninterest income	479	480
Noninterest expense	957	1,092
Loss provision	320	310
Net chargeoffs	175	30
Full Year	**1989**	**1988**
Net income	$1,103	$726
Per share	5.19	3.79
Net interest income (tax. equiv.)	4,039	3,703
Margin	n/a	4.32%
ROA	1.14%	0.76%
ROE	25.7	23.04%
Noninterest income	1,830	1,751
Noninterest expense	3,735	3,850
Balance Sheet	**12/31/89**	**12/31/88**
Assets	$98,764	$94,647
Deposits	81,186	77,150
Loans	75,861	69,022
Shareholder equity	5,534	4,149
Loss reserve	3,373	3,602
Reserve/loans ratio	4.45%	5.22%
Nonperf. loans	3,928	4,233
Nonperf. loans/loans	5.20%	6.10
Primary capital ratio	9.43%	9.09%

CHEMICAL BANKING CORP.
New York
Dollar amounts in millions (except per share)

Fourth Quarter	4Q '89	4Q '88
Net income	$95.9	288.50
Per share	1.04	4.66
Net interest income (tax. equiv.)	513.4	750.6
Margin	2.93%	4.93%
ROA	0.48%	1.63%
ROE	10.99%	33.04%
Noninterest income	362.5	340.2
Noninterest expense	696.6	656.7
Loss provision	66.2	81.1
Net chargeoffs	210.5	81.8
Full Year	**1989**	**1988**
Net income	$(482.2)	$753.6
Per share	(8.29)	12.02
Net interest income (tax. equiv.)	2,200.3	2,500.2
Margin	3.27%	3.72%
ROA	NA	0.99%
ROE	NA	23.48%
Noninterest income	1,404.0	1,424.3
Noninterest expense	2,739.5	2,459.6
Balance Sheet	**12/31/89**	**12/31/88**
Assets	$71,513	$67,349
Deposits	50,151.0	47,966.0
Loans	44,512.0	41,590.0
Shareholder equity	3,705.0	3,967.0
Loss reserve	2,636.0	2,040.0
Reserve/loans ratio	5.92%	4.91%
Nonperf. loans	2,862.0	3,106.0
Nonperf. loans/loans	6.43%	7.47%
Primary capital ratio	8.99%	9.68%



Darrell Knudson

Loss Lowers Confidence In First Bank

By LISABETH WEINER

CHICAGO — First Bank System's disclosure this week of worsening credit problems has further damaged its credibility with Wall Street and has undermined the chances of the company's acting chief executive to remain at the helm of the company.

Darrell Knudson, a 31-year veteran of First Bank who has been acting chief executive since September, will likely have to relinquish the top spot to an outsider. He is, however, expected to remain vice chairman.

"We don't know the extent of their problems," said bank analyst Thomas Brown of PaineWebber Inc. "There's been a loss of confidence."

First Bank System attributed the $107 million fourth-quarter loss posted Wednesday to a sizable increase in its loan-loss provision due to higher net chargeoffs and additions to reserves. It said this action was based on a "rigorous review of our loan portfolio in the fourth quarter, taking into account the deterioration of conditions in a number of economic sectors."

No Surprises Expected

Although a number of banks reported increases in problem loans during the third quarter,

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